

Congress of the United States
Washington, DC 20510

January 26, 2007

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

We are writing to express our strong interest in working cooperatively with you to address our nation's fiscal challenges.

In our view, we now have an important opportunity to revisit current budget policies that have dramatically increased the debt. We are prepared to work with you to make the tough choices needed to address our fiscal challenges. As you know, over the past six years, current budget policies have led to a \$3 trillion increase in the federal debt. With the first baby boomers set to retire next year, new and substantial pressures will be placed on the Federal budget. It is clear we need to change course.

History demonstrates that your leadership is absolutely critical if we are to achieve significant deficit reduction. Because you are required to prepare and submit a budget to Congress each year, your budget provides an important opportunity to demonstrate your willingness to make the difficult choices needed to tackle our fiscal challenges. The presidency also gives you a unique capacity to communicate with the public, and persuade Americans of the need for these difficult choices. We feel strongly that the best prospects for success rest with strong and active presidential leadership, coupled with strong bipartisan congressional support.

In order to reverse our nation's fiscal course, both parties must understand that difficult choices and shared sacrifices must be made. Your upcoming budget submission provides an important marker for demonstrating a shared commitment to fiscal responsibility. We urge you to submit a budget that is consistent with the following principles:

1) The budget should account realistically for projected Federal costs. In particular, we urge you to responsibly account in the Administration's budget for predictable costs that have been omitted in past budgets, such as costs for the war in Iraq and Afghanistan and for addressing the alternative minimum tax (AMT). Your budget will set the framework for how these items are presented in this year's budget process.

2) The budget should realistically project short- and long-term deficits. A clear perception exists that for years, Administration budgets have both overstated current year budget projections – to allow claims of “progress” later in the year – and understated long-term deficits, to avoid the need for hard choices.

3) The budget should provide detail throughout the entire budget period. In the past, Administration budgets have detailed discretionary spending levels for one year, but then merely assumed large savings in subsequent years, without detailing the specific spending cuts required to achieve those savings over the entire budget period. We urge you to put forward a budget this year that avoids using this type of budget gimmick and that is as explicit as possible about the hard choices required to meet your budget goals.

4) The budget should be based on fiscal discipline that is sustained over the long-term. It is important that the Congress and the American public fully understand both the short and long-term consequences and costs of the Administration’s proposed budget policies. As such, we urge you to submit a budget that fully captures the costs of your policy proposals.

Clearly, Democrats and Republicans will disagree about particular priorities, and we will need to negotiate our differences in deciding how to allocate scarce resources. But, as a first step, we all should be able to agree on these basic principles of fiscal responsibility.

Your upcoming budget provides both the Congress and the Administration with an important opportunity to begin a dialogue on budget priorities and fiscal discipline that is open and transparent. We hope you will seize this opportunity, and ensure that your budget complies with these basic principles. In our view, this would represent an important first step toward a much-needed bipartisan agreement to address our nation’s fiscal challenges.

Thank you for your consideration of our views.

Sincerely,


Harry Reid
Senate Majority Leader


Nancy Pelosi
Speaker of the House of Representatives


Kent Conrad
Chairman, Senate Budget Committee


John Spratt
Chairman, House Budget Committee